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JUSTICE FOR INTERNATIONAL AFFAIRS

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SUBJECT: IMF ON SINGAPORE'S MONEY LAUNDERING AND TERRORIST
FINANCING REGIME: GOOD, BUT ROOM FOR IMPROVEMENTS

REF: SINGAPORE 1183

Summary

11. (U) An IMF assessment praised Singapore's framework for anti-money laundering and terrorist financing (AML/TF), saying it provides a strong framework in terms of the FATF 40 recommendations and eight special recommendations. However, the IMF said there remain areas requiring attention. Key are limitations on mutual legal assistance and extradition, and a lack of customer identification for wire transfers. The IMF recommended that Singapore narrow the range of bases for refusal of assistance under its mutual legal assistance law, which may limit the effectiveness of the law in supporting mutual legal assistance. The IMF also encouraged Singapore to reassess whether a list approach to designating predicate offenses serious crimes is the most effective choice, and to make extradition for money laundering possible with a wider range of countries. In response, Singapore noted that FATF recognizes the list approach, and Singapore is reconsidering its list in light of the FATF revised 40 recommendations. Singapore said it will implement customer identification requirements for wire transfers by the FATF deadline. End summary.

Comment

12. (SBU) The IMF's assessment is useful, especially in pointing out deficiencies in Singapore's Mutual Assistance in Criminal Matters Act and recommending changes, particularly to narrow the basis for refusing assistance and to reconsider its list based approach. While Singapore is unlikely to change its approach, the IMF critique bolsters U.S. efforts in the MLAT negotiations to address exactly these same points. Post is sending by email a copy of the IMF assessment to EAP/PMBS and L/LEI. End comment.

IMF Assesses Singapore's AML/TF Performance as Good...

13. (U) The IMF's Financial System Stability Assessment of Singapore, carried out between November 2002 and December 2003, and released in April, concludes that Singapore has a sound and comprehensive legal, institutional, policy and supervisory framework for AML/TF. The assessment said Singapore has taken systematic and effective steps to address many of the recommendations of the last Financial Action Task Force (FATF) evaluation, in 1998-1999, and stated that implementation measures are well-monitored and generally effective.

...But Notes Areas Requiring Greater Attention

14. (U) However, the assessment also identified several areas that require attention, most notably mutual legal assistance. Stating that Singapore could improve the effectiveness of cross-border legal assistance, the assessment observed that there are limitations on Singapore's ability to provide particular kinds of mutual legal assistance, such as bank records, restraint of proceeds, and confiscation orders. The assessment team commented that Singapore "could widen the possibilities for providing mutual legal assistance by making compulsory measures available absent a treaty, and by ratifying the UN Convention Against Transnational Organized Crime (the Palermo Convention).

Mutual Legal Assistance

15. (U) The team also opined that the Mutual Assistance in Criminal Matters Act's (MACMA) wide range of mandatory and discretionary bases for refusing assistance "may limit the effectiveness of the Act in supporting international requests", recommending that Singapore consider narrowing the range of bases for refusal of assistance in the MACMA. In addition, the team said Singapore should take measures to ensure timely response to mutual assistance requests related

to terrorist financing, by designating all parties to the Financing of Terrorism Convention under its own law (Singapore has currently only designated the US and UK). Finally, the assessment also urged Singapore to continue efforts toward concluding further MOUs between Singapore's Suspicious Transactions Reporting Office (STRO) and foreign counterparts. In its response to the recommendations, Singapore stated that it "will continue to expedite current negotiations".

16. (SBU) The IMF noted that in Singapore, predicate offenses for money laundering are based on a list approach. The list does not include all those specified in the Palermo Convention, which Singapore has signed but not yet ratified. The IMF recommended that Singapore ratify the Palermo Convention on an expedited basis, urged Singapore to reassess whether a list approach is the most effective choice for Singapore, stating that an "all serious crimes approach" would be preferable to a limited list. The Singapore government largely rebuffed the suggestion, saying that FATF recognizes the list approach. However, Singapore said it will reconsider its list in light of the revised 40 recommendations. (Comment: As noted in Reftel, Singapore is working internally on a longer list, consistent with the categories of predicate offenses included in the Revised 40 recommendations. End comment.)

Other Areas for Work

17. (U) The assessment team also made suggestions in other areas:

-- Extradition. The IMF recommended that Singapore should act to make extradition for money laundering available to a wider range of countries.

-- Confiscation and Seizure. The IMF said that while adequate powers exist to restrain and freeze assets, specific provisions addressing identification and tracing are needed. In reply, Singapore said it would review and update the current overall scheme for confiscation and seizure.

-- Asset Sharing. Noting that a treaty relationship may be needed for asset sharing, the assessment recommends that Singapore consider a formal mechanism for sharing confiscated property and also consider extending beyond terrorism financing a forfeiture scheme based upon civil law.

-- Wire transfers. The assessment team said customer identification measures for wire transfers need to be put in place, and recommended that Singapore impose such a requirement within the time frame set forth under FATF Special Recommendation VII. In reply, Singapore said financial institutions will be required to obtain full originator information within the timeframe set out in FATF.

18. (U) Finally, the IMF recommended that the Monetary Authority of Singapore (MAS) make the provisions of its AML regulations more detailed and direct, supplementing current statements of principle with firm provisions and explicit guidance. For example, the IMF said MAS should make more explicit its regulatory Notices regarding the conduct of transactions with those failing to provide complete documentation of identity, and make more explicit the duty to identify persons authorized to operate accounts in the names of legal entities. MAS should also include in the Notices requirements that financial institutions have adequate screening procedures to ensure high standards when hiring employees. Replying, Singapore said that it believes that the strong compliance culture of Singapore financial institutions is evidence of the effectiveness of its policy of issuing principles-based Notices, supplemented by thorough inspections and follow-up.

LAVIN